



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

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April 19, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Pursuit of County Position to Support AB 416 (Gordon).** This bill would create the Local Emission Reduction Program, which would provide grants and other financial assistance to eligible local governments to develop and implement greenhouse gas emission reduction projects in the State. Therefore, unless otherwise directed by the Board, consistent with existing policy to support funding to assist local government compliance with existing and pending regulations to reduce emissions from both mobile and fixed sources, **the Sacramento advocates will support AB 416.**
- **Legislation of County Interest:**
 - **AB 743 (Logue)** - related to annexation of unincorporated islands.

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Pursuit of County Position on Legislation

AB 416 (Gordon), as amended on April 4, 2013, would create the Local Emission Reduction Program to provide local assistance grants and other financial assistance to eligible recipients for the purposes of developing and implementing greenhouse gas (GHG) emissions reduction projects in the State. The Local Emission Reduction Program would be administered in coordination between the California Air Resources Board (CARB) and the Strategic Growth Council. The bill would define eligible recipients as a city, county, city and county, charter city, charter county, metropolitan planning organization, regional climate authority, special district, joint powers authority, air pollution control or air quality management district, regional collaborative or nonprofit organization working in coordination with local government.

Specifically, the bill would also require CARB to develop standards and guidelines for distribution of funds to programs that achieve one or more of the following goals: 1) decrease air or water pollution; 2) reduce the consumption of natural resources or energy; 3) provide opportunities to achieve GHG emissions reductions in ways that increase localized energy resources; 4) promote public-private partnerships to implement energy efficiency and clean energy projects with financing incentives for residential and commercial facilities; 5) increase the reliability of local water supplies; 6) increase solid waste diversion from landfills; 7) increase electric vehicle infrastructure; 8) achieve GHG emissions reductions in ways that reduce vehicle miles traveled; and 9) prevent conversion of agricultural, forest, and open space lands to uses that result in higher GHG emissions. Finally, the bill states that implementation of the Local Emissions Reduction Program, including the provision of financial assistance to eligible recipients, shall be contingent on the appropriations of moneys by the Legislature for these purposes.

Existing law authorizes the California Air Resources Board to permit the use of market-based compliance mechanisms to comply with GHG reduction regulations, pursuant to the **County-supported California Global Warming Solutions Act (AB 32, Chapter 488, Statutes of 2006)**, under limited circumstances once specified conditions are met. Existing law also establishes the Greenhouse Gas Reduction Fund and requires all moneys, except for fines and penalties, collected by CARB from the auction or sale of allowances pursuant to a market-based compliance mechanism (i.e., the Cap-and-Trade Program adopted by CARB under AB 32) to be deposited in the Fund and available for appropriation by the Legislature. Current law also establishes set procedures for the investment of GHG allowance auction revenues pursuant to AB 1532 (Chapter 807, Statutes of 2012). AB 1532 requires the Department of Finance (DOF), in consultation with CARB, to develop and submit a three-year investment plan to the Legislature as part of the Fiscal Year 2013-14 State Budget proposal. AB 1532 also

authorizes a range of GHG reduction investments, including funding to reduce GHG emissions through investments in programs implemented by local and regional agencies, local and regional collaborative, and nonprofit organizations coordinating with local governments.

The Internal Services Department (ISD) reports that AB 32 requires public agencies and larger firms in California to reduce their GHG emissions by 20% from the 1990 levels by the year 2020, and by 80% by the year 2050.

The Internal Services Department notes that a 2009 inventory found that the County has more than 2,600 buildings, approximately 14,000 vehicles and pieces of equipment which use approximately 14 million gallons of fuel, and over 100,000 employees. The inventory estimated that the average commute for County employees is 24 miles one-way daily. ISD found that the County's GHG emissions primarily come from the following sources: building energy use; employee commutes; cogeneration facilities; vehicle fleet; and other sources such as owned landfills, wastewater treatment plants, water pumps, and water consumption.

The Internal Services Department indicates that without implementation of energy efficiency projects at the local level, the County's GHG emissions will continue to rise because the County's population and businesses will continue to grow, which will require County operations and services to be provided at increased levels.

The Department of Public Works (DPW) recommends supporting AB 416 because it would potentially provide the County with direct investments for GHG reducing projects related to, among other things, solid waste diversion from landfills which would include conversion technology projects. According to the Department, the bill addresses the absence of programs that provide local governments with access to State moneys allocated for GHG reducing projects. Direct investments as a result of AB 416 would also enhance the State's ability to reach GHG reduction goals as well as create local jobs.

This office, the Internal Services Department, and the Department of Public Works support AB 416 because it would provide the County and other local public agencies with an opportunity to secure funding for energy efficiency projects aimed at reducing GHG emissions at the local level. Therefore, unless otherwise directed by the Board, consistent with existing policy to support funding to assist local government compliance with existing and pending regulations to reduce emissions from both mobile and fixed sources and the Board's previous support of the California Global Warming Solutions Act (AB 32, Chapter 488, Statutes of 2006), **the Sacramento advocates will support AB 416.**

AB 416 is supported by California State Association of Counties, League of California Cities, Local Government Commission, California Special Districts Association, Urban Counties Caucus, The Nature Conservancy, Environmental Defense Fund, and Planning and Conservation League, among others. The bill is opposed by the Central Coast Forest Association.

AB 416 passed the Assembly Local Government Committee by a vote of 7 to 2 on April 10, 2013. This measure now proceeds to the Assembly Appropriations Committee.

Legislation of County Interest

AB 743 (Logue), as amended on April 3, 2013, would remove the January 1, 2014 sunset date on the authorization of local agency formation commissions to approve a petition for a change of organization or reorganization of a city, if the petition was initiated on or after January 1, 2010. The bill would also extend the authority to initiate, conduct, and complete specified changes in organization or reorganizations for any territory that became surrounded or substantially surrounded by the city to which annexation is proposed before January 1, 2104.

Existing law governs the establishment and revision of local government boundaries and establishes procedures for local government changes of organization, including city incorporations, annexations to a city or special district, and city and special district consolidations. The law provides Local Agency Formation Commissions (LAFCOs) an expedited process to annex unincorporated islands, which are pieces of unincorporated county territory surrounded entirely by a city, into a local government entity.

Existing law also authorizes a LAFCO to approve, after notice and hearing, a petition for a change of organization or reorganization of a city, if the petition was initiated on or after January 1, 2010, and before January 1, 2014, and waive protest proceedings entirely if certain requirements are met. This provision applies only to territory that does not exceed 150 acres. The law also provides that the authority to initiate, conduct, and complete specified changes in organization or reorganizations does not apply to any territory that, after January 1, 2000, became surrounded or substantially surrounded by the city to which the annexation is proposed, except for islands that were created after January 1, 2000, as a result of boundary adjustments between two counties.

AB 743 would extend the LAFCOs' authority to annex incorporated islands indefinitely and reset the effective island creation dates to January 1, 2014 to allow recently created islands to be annexed under these provisions.

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A previous version of AB 743 proposed expanding the size of land plots that would have qualified for annexation from 150 acres to 300 acres; however the author's office reports that this provision was removed following consultation with stakeholders who expressed concerns about established uses on such large acreage.

AB 743 passed the Assembly Local Government Committee by a vote of 9 to 0 on April 17, 2013. This measure now proceeds to the Assembly Floor.

AB 743 is supported by the California Association of Local Agency Formation Commissions (CALAFCO), California State Association of Counties, Napa County Local Agency Formation Commission, and Riverside Local Agency Formation Commission. There is no registered opposition on file.

We will continue to keep you advised.

WTF:RA
MR:AO:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants